

Issue: As a follow up to the NSF check issue within the Department of Public Safety, the number of NSF checks received in FY 2000-01 has decreased 37% from the first half of FY 1999-00.

Indicator: Number of NSF checks returned

	FY 2000	FY 2001
July	116	140
August	243	222
September	313	173
October	371	173
November	232	151
December	231	90
6 Month Total	1506	949

Analysis of Indicators:

As reported in the previous Performance Review Subcommittee, the Office of Management and Finance (M&F) had 3,263 checks from the entire FY 1999-00 that were returned for nonpayment (NSF), and an outstanding balance of approximately \$1.4 million in NSF checks. Approximately 90% of these funds are related to personal and business checks for vehicle registration costs. Compared to the first half of FY 00-01, Public Safety had a 37% reduction of NSF checks received by the department (see above table).

Budget Impact:

The department takes in approximately \$800 million dollars in fees and taxes each year. During FY 1999-00, \$1.4 million was returned from Revenue as dishonored checks. Public Safety was able to collect all but approximately \$250,000. Although this is a small percentage compared to what they have collected, this adds up over several years. The Fiscal Office reported during the last Performance Review Subcommittee that it amounted to well over \$1.2 million over a five-year period of time.

Through February 19, 2001, collections from prior years NSF checks were \$453,657, which leaves a current uncollected balance of \$778,670. For FY 2000-01, Public Safety has

collected \$245,021 of NSF funds, leaving a balance of \$181,215 uncollected from the current fiscal year. This brings the total collections during the first half of this FY to \$698,678, of which \$453,657 was collected from prior years NSF checks.

An NSF check database has been developed to track receipt of and disposition of NSF checks received by the department. This database has been made available to everyone in the department accepting payment by check to allow the different offices to check an individual against this database before accepting checks. If an individual has an outstanding NSF check, that person cannot do business with the department until that debt is cleared. If that same individual or company issues (3) NSF checks to the department, that individual is placed on a permanent Certified Funds Only list whereby the individual will no longer be allowed to write checks for payment to the department.

Public Safety has developed an NSF check policy and procedure flow chart to insure the pursuit of all individuals who write NSF checks to the department to the fullest extent of the law including but not limited to: rescission of drivers licenses and/or vehicle registrations, pursuit through courts, and pursuit through the local District Attorney's. Once the individual has been flagged in the database, DPS has sent safety enforcement personnel out to pick up the license of the offending individual in order to implement the suspension. Before this policy was implemented many flagged drivers continued to drive with a suspension flag because the only way a license would be picked up is if it that person happened to be stopped or checked by a law enforcement officer.

Public Safety has asked the District Attorney's from across the state to assist them in prosecuting individuals who have written bad checks to the department. Public Safety has received responses from the DA's identifying the specific ways they want the information turned over to their offices. Public Safety intends to take each outstanding check through the NSF check procedures that have been developed, all the way to taking legal action on their own and/or turning over these outstanding checks to the DA's in each parish for collection. This is a last resort. They intend to exhaust all of their internal collection processes before these checks are turned over to the local DA's.

Additionally, DPS has issued press releases and has done several media interviews to publicize the fact that DPS will suspend the license and vehicle registration and will pursue prosecution of individuals who write NSF checks to the department to the fullest extent of the law.

LFO Comment:

The LFO recognizes the efforts being made by DPS of exploring ways to curtail the amount of funds being lost. DPS has made a concerted effort since the last meeting in an effort to

improve in the area of NSF check collections. The number of NSF checks received by the department has been reduced significantly since the October meeting. The Fiscal Office believes that negligence regarding this issue over the years has caused this problem to escalate. It will take several quarters to assess the full impact of the departments aggressiveness towards this problem.

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November	232	151
December	231	90
January		231
February		235
March		212
April		161
May		273
June		254
Total	3263	2315

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Issue: Failure to reduce the number of forensic patients that are in parish jails and that have been on the waiting list (to enter a mental health forensic facility) for over 90 days.

Indicator: Number of patients on waiting list over 90 days

QUARTERLY	PRIOR YEAR	CURRENT TARGET	ACTUAL	ACTUAL /EST	ANNUAL	
					PRIOR YR	73
Q1	27	40	69		CURRENT YR TGT	40
Q2	40	40	80	100.0%	PERF STANDARD	40
Q3	47	40			YTD ACTUAL	80
Q4	73	40		(100.0%)		

Indicator: Total number of persons on waiting list

QUARTERLY	PRIOR YEAR	CURRENT TARGET	ACTUAL	ACTUAL /EST	ANNUAL	
					PRIOR YR	112
Q1					CURRENT YR TGT	80
Q2	82	80	125	56.2%	PERF STANDARD	80
Q3					YTD ACTUAL	125
Q4	112	80		(100.0%)		

Analysis of Indicators:

Both indicators are simply a count of all persons in parish jails awaiting admission to Eastern Louisiana Mental Health System (ELMHS). ELMHS provides the only mental health forensic services in the state. This system continues to face overcrowding and court ordered limits on the number of patients that may be housed at any given time. DHH and ELMHS has been mandated by a Federal Magistrate in New Orleans to take patients and relieve the waiting list of greater than 90 days.

The waiting list is increasing due to the following factors:

- 1) The number of patients continually added to the list: 1998 - 167 patients, 1999 - 149 patients, and 2000 - 219 patients.
- 2) The large addition of patients in 2000 surpassed the turnover of the patients on the waiting list despite new program implementations.
- 3) ELMHS does not have the latitude to discharge patients without an order from the committing court. It takes approximately 50 days to return a patient to the committing court.
- 4) **The Forensic Competency Restoration Program, the \$1.3 million expansion of forensic community programs and the start of the new \$6.7 million forensic acute unit, has been delayed.**

ELMHS has stated that it has not been able to implement the program for a number of reasons:

- *Security staff hired for the purpose of transporting patients back to the parish of commitment are required to complete a six week orientation and training.

- *Additional vehicles required for the transportation had to be approved for purchase and are awaiting delivery.

- *Filling of positions approved for the program has been delayed because of hiring freezes caused by the Governor's freeze, the DHH Department freeze and the DHH layoffs that have occurred this year.

- *ELMHS and DHH Engineering Services have been planning and processing renovations and repairs necessary for the new unit. The building has to meet Life Safety and Fire Marshall codes, which is still pending completion by DHH Engineering. Requisitions for renovations, equipment and supplies are being submitted for approval and processed on a regular basis.

Budget Impact:

For FY 00, Feliciana Forensic Facility (now a part of ELMHS) was appropriated an additional \$2 million dollars and 27 authorized positions for the Forensic Plan. The plan was the agencies' response to the mandate to reduce the number of inmates on the waiting list over 90 days.

New funding in Act 11 for FY 01 provides \$1,300,000 in State General Funds (Direct) and 13 positions to ELMHS for the expansion of the jail-based treatment of forensic clients to reduce the number of patients on the waiting list over 90 days. Another \$6.7 million in Interagency Transfers from Medicaid (\$2,000,000 in SGF and \$4,775,068 in FF) and 112 positions were appropriated to ELMHS. This money is for a new acute care psychiatric unit to help alleviate the waiting list for individuals being housed in Orleans parish jails awaiting competency evaluations.

In total (both FY 00 and FY 01), ELMHS has received enhancements of \$10 million and 152 authorized positions for the treatment of parish jail inmates (Forensic Plan). As of December 2000, the waiting list has continued to increase instead of decrease, which was ordered by the Magistrate in New Orleans.

The ramification of DHH and ELMHS ignoring the court order could cost the state considerably. The Federal Magistrate has threatened to place all of the Orleans parish inmates on the waiting list in a private psychiatric hospital.

Forensic Plan Program Funding:

Funding Year	Funding Amount	Positions	Agency	Purpose
FY 00	\$2,000,000	27	ELMHS	20 bed transitional unit and a 35 bed group home
FY 01	\$1,300,000	13	ELMHS	Transportation staff and 2 transportation vehicles (\$250,000 & 7 T.O) and enhancement of existing community program and add 25 community group home beds (\$1,050,000 & 6 T.O.)
FY 01	\$6,700,000	112	ELMHS	50 bed acute unit at ELMHS
FY 02	\$1,700,000	43	ELMHS	40 beds for inpatient treatment and 38 beds for outpatient community group home
FY 02	\$179,050	5	ELMHS	Case managers for community forensic services
Total	\$11,879,050	200		

LFO Comment:

For FY 02, ELMHS is requesting \$1.7 million and 43 authorized positions for transitional programs (forensic services) and \$179,050 and 5 authorized positions for case managers (forensic services). Why is more money and staff needed when ELMHS hasn't accomplished its goals with the previous funding and positions?

Department: Environmental Quality**SCH. # 13-852****Agency: Office of Environmental Services****Analyst: Robert Hosse**

Issue: The objective of this indicator is to facilitate improvement of the environment by responding within 30 days to 95% of public requests for assistance (brochures, seminars, lectures, community meetings) to encourage interested stakeholders through voluntary recycling, and pollution prevention. DEQ was unable to meet its midyear target level due to an extraordinary level of requests for wetland video tapes.

Indicator: Percent of response to requests for information from stakeholders and the regulated community through brochures, seminars, lectures, and the media

QUARTERLY	PRIOR	CURRENT	ACTUAL		ANNUAL	
	YEAR	TARGET		/EST	PRIOR YR	
Q1	N/A	N/A	N/A	N/A	CURRENT YR TGT	98
Q2	N/A	95	64.3	(32.3%)	PERF STANDARD	95
Q3	N/A	N/A	N/A	N/A	YTD ACTUAL	64.3
Q4	98	95	N/A	NA		

Analysis of Indicators:

Although DEQ only responded to 64.3% of requests for information within 30 days, which is 32.3% below the midyear target level, this performance does not represent a systemic problem in responding to citizens' requests for information. The Environmental Assistance Division's one-time failure to meet the 30 day time frame was due to an over whelming demand for informational videos. The problem occurred when an organization outside of DEQ, "Coastal Wetlands Planning, Protection and Restoration Act" (CWPPRA), advertised on its website (<http://lacoast.gov>) that DEQ's Barataria-Terrebonne National Estuary Program (BTNEP) was offering free wetland videos. As a result, the BTNEP Office received 1,820 requests for videos via email, telephone calls and referrals from the CWPPRA website in a very short period of time. The BTNEP was unable to fulfill these requests within the targeted time frame because of the very large volume. The BTNEP had the notice of free videos removed from the website and replaced it with a notice that the requests for the videos could not be met in a timely manner. Despite the difficulty in providing the requested number of videos, DEQ did notify many individuals by phone and by notice on the DEQ website that the videos were not available. At this time everyone who requested tapes has received them. Federal grants paid for the production of 4 different videos, and pays for copying costs of approximately \$1.50 to \$2 per video. State General

Funds budgeted in the Estuary program pays for the cost of mailing the videos at an average cost per video of \$1.85.

Budget Impact:

No significant budget impact is anticipated due to this one time occurrence. It is likely that the removal of the availability of these videos from the CWPPRA website will reduce demand to close to its prior level.

LFO Comment:

DEQ is expected to meet its timeline in providing this type of information in the future, and should meet its target in subsequent quarters.

Department: Environmental Quality

SCH. # 13-852

Agency: Office of Environmental Services

Analyst: Robert Hosse

Issue: The objective of this indicator is to provide effective radiation protection by processing 98% of the applications within 30 days of receipt. The loss of several experienced employees and a freeze on hiring makes it unlikely that DEQ will meet its target in the 3rd or 4th quarter unless personnel can be shifted toward the accomplishment of this objective.

Indicator: Percentage of radioactive material applications for registration, licensing and certification processed within 30 days of receipt

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL /EST	ANNUAL	
	YEAR	TARGET			PRIOR YR	
Q1	96	98	93	(5.1%)	CURRENT YR TGT	98
Q2	96	98	85	(13.3%)	PERF STANDARD	98
Q3	96	98	N/A	N/A	YTD ACTUAL	85
Q4	96	98	N/A	NA		

Analysis of Indicators:

DEQ was only able to process 85% of radioactive material applications within their 30 day time frame. This was due in part to the loss of an experienced person and a freeze on hiring which was implemented to avoid layoffs to meet an 85 position reduction in their FY 2002 budget. Without additional positions or a shift in existing personnel to meet the current workflow it is unlikely that their target of processing 98% of these applications in 30 days can be met. The positions in this program are funded through Environmental Trust Funds which are sufficient to fund the personnel costs necessary to process these applications.

Budget Impact:

This issue will need to be addressed during the appropriations process to ensure that adequate resources are available to accomplish this objective.

LFO Comment:

Failure to process these applications will impact the private sector to the extent that there are delays in certifying radiological equipment prior to its use. These delays can impact both the operating revenues of these private entities and in some cases the use of this equipment for diagnosis or treatment of individuals.

Indicator:	Freshmen Enrollments and Retention Rates
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	Number 1st Time Entering Freshmen Fall 1999	Number 1st Time Entering Freshmen Fall 2000	% Change	Freshmen to Sophomore Retention 98 to 99	Freshmen to Sophomore Retention 99 to 00	% Change
2-Year Institutions						
Baton Rouge CC	627	510	(18.7%)	44.5%	52.5%	18.0%
Bossier Parish CC	551	463	(16.0%)	60.3%	55.5%	(8.0%)
Delgado CC	1,286	1,084	(15.7%)	55.2%	50.1%	(9.2%)
LSU Alexandria	326	352	8.0%	56.1%	57.7%	2.9%
LSU Eunice	591	678	14.7%	64.6%	59.4%	(8.0%)
Nunez CC	223	229	2.7%	45.7%	52.4%	14.7%
Southern-Shreveport	324	207	(36.1%)	59.0%	50.7%	(14.1%)
South Louisiana CC	n/a	137	n/a	n/a	59.1%	n/a
2-YEAR TOTAL	3,928	3,660	(6.8%)	55.5%	54.1%	(2.5%)
4-Year Institutions						
Grambling	760	690	(9.2%)	68.7%	70.1%	2.0%
LSU A&M	5,068	5,167	2.0%	88.3%	89.0%	0.8%
LSU-Shreveport	504	463	(8.1%)	71.2%	65.0%	(8.7%)
Louisiana Tech	1,672	1,763	5.4%	82.8%	81.0%	(2.2%)
McNeese St	1,451	1,222	(15.8%)	64.4%	66.4%	3.1%
Nicholls St	1,355	1,453	7.2%	66.9%	67.1%	0.3%
Northwestern	1,373	1,663	21.1%	73.5%	73.6%	0.1%
Southeastern	2,686	2,437	(9.3%)	70.3%	68.4%	(2.7%)
Southern A&M	1,715	1,287	(25.0%)	65.8%	60.5%	(8.1%)
Southern-NO	351	294	(16.2%)	57.3%	57.8%	0.9%
UNO	1,716	1,680	(2.1%)	76.4%	73.8%	(3.4%)
Univ of LA - Lafayette	2,947	2,410	(18.2%)	73.1%	76.3%	4.4%
Univ of LA - Monroe	1,580	1,469	(7.0%)	67.8%	71.3%	5.2%
4-YEAR TOTAL	23,178	21,998	(5.1%)	74.8%	75.3%	0.7%
PUBLIC INST TOTAL	27,106	25,658	(5.3%)	72.0%	72.3%	0.4%

Analysis of Indicators:

Data Analysis:

The retention rate increased slightly from 72.0% in 1998-99 to 72.3% in 1999-00 for all institutions. Retention rates for 4 year institutions increased slightly from 74.8% in 1998-99 to 75.3% in 1999-00. However, retention rates for 2 year institutions fell from 55.5% in 1998-99 to 54.1% in 1999-00.

The Board of Regents' Master Plan for Post secondary Education states an objective to increase admissions criteria at 4 year institutions. Higher qualified students should increase the retention rate at 4 year institutions further. Less qualified students will attend expanding community colleges. Students attending 2 year institutions, who would have otherwise attended 4 year institutions, should increase the qualifications of students attending such 2 year institutions. These higher qualified students should increase the retention rates at such 2 year institutions. The Legislative Fiscal Office will continue to monitor the retention rates at 2 year institutions and will report changes in future meetings of the Performance Review Subcommittee.

Budget Impact:

Raising the retention rate may reduce state higher education expenditures because state resources will not be expended on students who are unlikely to complete their education. Raising admissions criteria at 4 year institutions should significantly reduce the number of students attending these institutions. As the number of students at 4 year institutions decline, the funding per pupil will increase. Such an increase should close the gap in funding per student between Louisiana and the SREB states as a whole.

However, students rejected by 4 year institutions will likely chose to attend less selective community colleges. Louisiana does not currently have community colleges serving all regions of the state. The Board of Regents anticipates building additional community colleges to serve these students. Louisiana will incur additional costs to build and operate these additional community colleges.

LFO Comment:

The Board of Regents should carefully monitor participation at 4 year programs and universities as such universities raise their admissions requirements. The Board of Regents should use its authority to consolidate and/or eliminate programs with low participation. These indicators will become increasingly valuable as the Board of Regents raise admission requirements at 4 year institutions and expand community college courses and programs for students not meeting requirements for 4 year institutions.

Education**LSVI****SCH. # 19B-651**
Analyst: K. Sewell

Issue: During the second quarter, the total number of students on campus was 48, but a count of 903 was used as the total number of students (service load) to determine Adm./Support Services cost per student.

Indicator: Total Number of Students (service load)

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL	ANNUAL	
	YEAR	TARGET		/EST	PRIOR YR	
Q1	52	880	877	(0.3%)	CURRENT YR TGT	880
Q2	53	880	903	2.6%	PERF STANDARD	51
Q3					YTD ACTUAL	903
Q4						

Indicator: Administration/Support Services Cost Per Student

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL	ANNUAL	
	YEAR	TARGET		/EST	PRIOR YR	
Q1	\$24,839	\$364	\$352	(3.3%)	CURRENT YR TGT	\$728
Q2	\$24,370	\$728	\$765	5.1%	PERF STANDARD	\$24,622
Q3					YTD ACTUAL	\$765
Q4						

Analysis of Indicators:

Data Analysis:

Prior to the current fiscal year, LSVI's student count was based on the number of students that were actually educated and/or housed on the campus. In an effort to include all students that the school provides a service, the school expanded its student count to also include the number of people that utilize the LA Instructional Material Center (LSVI's book depository). This method of counting has resulted in skewed results.

Performance indicator number one "Total number of students (service load)" reports a target of 880 and an actual of 903. This represents a positive variance of 2.6%. Although the actual number reported exceeded the target, there is question as to whether the appropriate student count was used. In reviewing the supporting performance indicators for this agency, the school reported a total of 48 students on campus (31 residential and 17 day students that utilize the residential services). This means that 855 or 95% of the reported student service load (903) are not housed or educated on the LSVI campus. The school reports that its count of 903 was based on the number of people that utilized the LA Instructional Materials Center

(LSVI's book depository).

Performance indicator number two "Administration/Supports Services cost per student" reports a 2nd quarter target of \$728 and an actual of \$765. This represents a negative variance of 5.1% more in spending than projected. The methodology used to determine the actual performance was \$691,245 (expenditures in Adm. / Support Services) divided by 903 (student service load) which equals an administrative cost per student of \$765. During the previous year, the school reported a student count of approximately 50 students, where the average cost per student, per quarter in the Adm./Support Services Program was \$24,000. The actual cost per student for FY 1998-99 was \$24,000.

Budget Impact:

As reported, the performance and variance for these two indicators is consistent to that of similar agencies; however, it is questionable as to whether the appropriate data was used to determine the Administrative/Support Services cost per student. The use of inflated data provides an inaccurate level of efficiency for this program.

LFO Comment:

The Administrative/Support Services cost per student of \$765 is skewed in that only 48 of the 903 students counted access the campus on a regular basis. There needs to be some type of weighted cost assessed to on-campus individuals versus individuals who utilize the services of LSVI. This would provide a more realistic estimate of the cost per student.

LSVI, along with the various entities involved in reporting and analyzing this data, have worked together to determine how the school should report its student count. Upon analysis of this data, it is determined that further discussions must occur in an effort to ensure accurate reporting.

Louisiana Technical College**SCH. # 19-649**
Analyst: Sam Bishop**Issue: Proper measure of the efficient use of resources within the Louisiana Technical College system****Indicator: Total Completers**

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL /TARGET	ANNUAL	
	YEAR	TARGET			PRIOR YR	
Q1	0	5,294	4,302	(18.74%)	CURRENT YR TGT	11,806
Q2	0	4,354	3,636	(16.49%)	PERF STANDARD	13,000
Q3	0	652	0	N/A	YTD ACTUAL	15,444
Q4	0	2,700	0	N/A		7,938

Analysis of Indicators:

This indicator is designed to provide the Legislature with information on the number of individuals receiving either a certificate, diploma, associate degree, or earning a marketable skill from the Louisiana Technical College. A marketable skill is defined as accepting employment in an area related to one's studies. It is a cumulative measure which is best finalized during the fourth quarter.

Data collected through the Second Quarter of the 2000-2001 academic year indicates a total of 7,938 completers in the Louisiana Technical College. The Second Quarter target was 9,648. The Louisiana Technical College (LTC) has estimated 13,000 individuals will either complete their course of study or obtain a job in their area of study during the 2000-2001 academic year. The annual Performance Standard was estimated at 15,444. In comparison, there were 11,806 completers during the 1999-2000 academic year.

The reduction in the number of completers with skills has been attributed to several factors. First, the Louisiana Technical College has standardized data definitions and implemented a temporary data collection system. This should help eliminate double counting. Second, the LTC indicates a decline in the demand for both matriculated and non matriculated classes. This, in part, may be due to a high employment rate.

**Budget Impact/
LFO Comment:**

Currently, LAPAS provides information only for the Louisiana Technical College. Given its

breadth, the LFO is of the opinion the Legislature would be better served by a review of campus level performance indicators. While a decline in the total number of completers may indicate a need for programmatic adjustments such as the possible closure or merger of individual campuses, it does not provide information on the number of campuses realizing an increase. For example, supporting data from each campus would indicate regionalized demand for existing programs of study and/or training. Those campuses with low completion rates may indicate the state is spending more per student without realizing any quantifiable results. If students are not completing their programs of study, this implies an inefficient use of state resources.

Furthermore, there is the question of marketable skill. According to the accrediting agency, this occurs when an individual either completes his/her program of study, or obtains employment in his/her chosen field of training. A student obtains a marketable skill when he/she leaves school upon accepting employment in his/her area of study. For example, in the automotive program, this may occur when a student obtains employment prior to achieving ASE certification. This definitional vagueness allows only for limited programmatic comparisons. That is comparisons are only possible between programs offering the same certificate, diploma, or associate degree.

To counter long-term data collection problems the Board of Supervisors of Community and Technical Colleges has established as a priority the improvement of its data collection methods within the Louisiana Technical College.

This will occur in three steps:

1. The clarification of data terminology, definitions and methodology. The LTC has partially succeeded with the implementation of a temporary student data collection system. This system, along with actions by the LCTCS Board have provided for the standardization of student data collection within the technical college system.
2. The installation of a data management system. This database system will consist of three modules (student enrollment, human resource, and financial) and will allow each campus to electronically forward all information to the LTC Central Office. Installation is scheduled to be completed in two phases: Phase 1 is scheduled to include the Louisiana Technical College and the following community colleges (South Louisiana, River Parishes, Nunez, and Delta). Phase 2 will include Bossier Parish, Delgado, and Baton Rouge Community Colleges. This will be a multiyear project having an estimated cost of \$6.9 million. The installation of the LTC's student data collection module should be completed by Fall 2001.
3. The Board of Regents will have discussions with the House Fiscal Division, Office of

Planning and Budget, and the Legislative Fiscal Office regarding future performance indicators. This should result in a dramatic overhaul of higher education performance indicators.

Department: Ancillary

SCH. # 21-804

Agency: Risk Management

Analyst: Samson

Issue:

The Office of Risk Management has stated that the Agency is currently in need of additional claims adjusters due to a backlog of claims. However, their current performance indicators and the performance indicators being proposed for next fiscal year are lacking the necessary information to justify adding positions.

Proposed Indicators for FY 01-02	Performance Standard
<i>Number of Claims per Adjuster (Workers' Compensation)</i>	398
<i>Number of Claims per Adjuster (Transportation)</i>	207
<i>Number of Claims per Adjuster (Property)</i>	265
<i>Number of Claims per Adjuster (Medical Malpractice)</i>	204
<i>Number of Claims per Adjuster (Road Hazard)</i>	298

History of Claims per Adjuster

	CURRENT YEAR	FY'00	FY'99	FY'98	FY'97
WORKERS COMP					
PENDING CLAIMS	5535	4777	5339	3949	4923
# OF ADJUSTERS	13	12	14	15	15
AVERAGE PER ADJUSTER	426	398	381	263	328
# CASES CLOSED		5799	4501	6780	7163
TRANSPORTATION					
PENDING CLAIMS	739	623	704	944	1162
# OF ADJUSTERS	3	3	3	4	3
AVERAGE PER ADJUSTER	246	208	235	236	387
# CASES CLOSED		129	76	64	59
		43	25	16	20
PROPERTY					
PENDING CLAIMS	3158	3444	3523	3520	3866
# OF ADJUSTERS	10	13	13	13	13
AVERAGE PER ADJUSTER	316	265	271	271	297
# CASES CLOSED		29	33	26	57
		2	3	2	4
MEDICAL MALPRACTICE					
PENDING CLAIMS	1406	1429	1382	1329	1218
# OF ADJUSTERS	6	7	7	7	7

AVERAGE PER ADJUSTER	234	204	197	190	174
# CASES CLOSED		336	303	253	270
ROAD HAZARD					
PENDING CLAIMS	2093	2380	2329	2369	2245
# OF ADJUSTERS	7	8	10	10	8
AVERAGE PER ADJUSTER	299	298	233	237	281
# CASES CLOSED		1129	1104	940	972
# CASES CLOSED PER ADJUSTER		141	110	94	122

TABLE 1

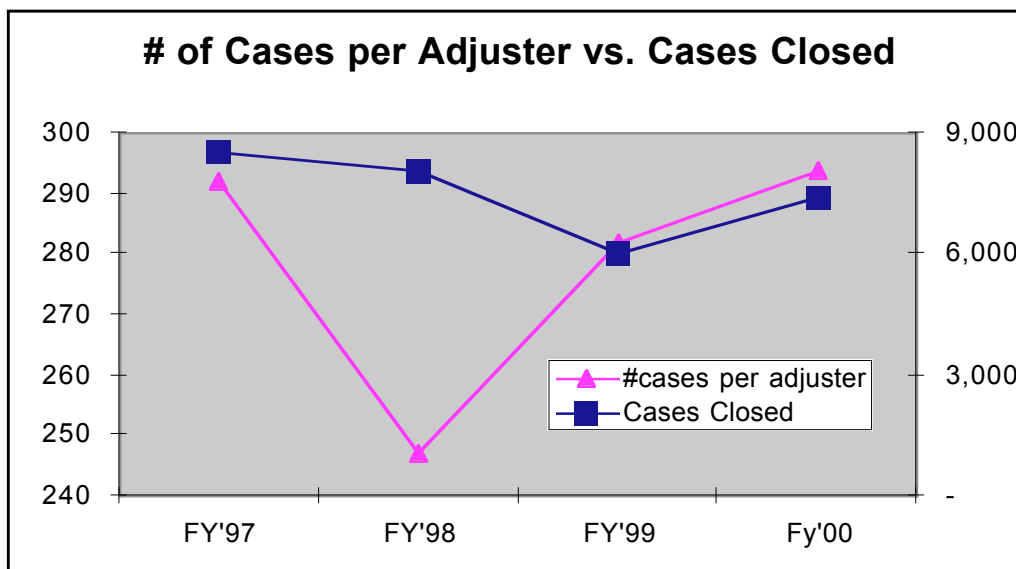
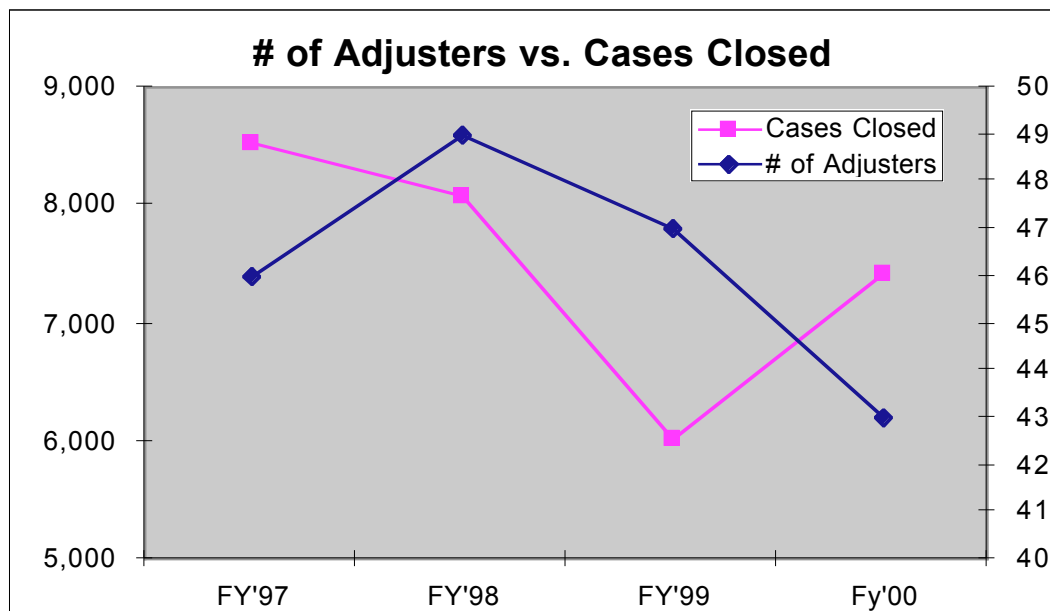


TABLE 2



Analysis of Indicators:

The current and proposed indicators for the Office of Risk Management are inadequate to evaluate the Administrative Program and the number of T.O. needed to administer that program properly.

In a recent BA-7, submitted to the Joint Legislative Committee on the Budget, the Office of Risk management requested 7 additional positions. It was stated that these additional positions were needed due to a backlog of pending claims. Of these positions 6 were for claims adjusters. The BA-7 was deferred until additional information could be gathered. Since that time the LFO has been unable to obtain the necessary information to justify recommending approval of the positions.

In the current fiscal year the Administrative program within the Office of Risk Management has 3 indicators. These indicators only reference the cost of premiums and their relationship to the private sector. For FY2001-2002 Risk Management has proposed adding five indicators to the Administrative program that measure the *number of claims per adjuster*. These five indicators and their standard are listed on page one as “Proposed Indicators for FY 01-02”. The number of claims per adjuster, which may be a valuable indicator to the agency, does not give adequate information to the legislature. Table 1 and Table 2 above show that there is no stable and consistent relationship between the number of cases per adjuster and the number of cases closed, nor is there a stable and consistent relationship between the number of adjusters and the number of cases closed.

The LFO recognizes that there may be additional costs incurred by cases being backlogged or by adjusters not giving cases their full attention. However, when information was requested from the Agency to study this issue we were informed that information such as this is not tracked. Information was also requested in reference to a cost benefit analysis for adding additional personnel, the Agency stated that this type of analysis was not feasible.

The Office of Risk Management needs to develop a set of performance indicators that addresses the areas of claims adjusters that is much more specific than those indicators they are proposing for next fiscal year, and which will enable at least a simple cost benefit analysis.

Budget Impact:

The impact that this could have on the Self Insurance Fund, that supports the Office of Risk Management, is indeterminable at this time. If in fact the Office of Risk Management is in need of additional adjusters, then there may be additional costs associated with the backlog of cases. However, it needs to be determined if the additional cost associated with the

backlog of cases outweighs the additional costs of hiring additional personnel and if so at what point do they break-even. This would determine how many additional adjusters are needed. .

LFO Comment:

The current and proposed indicators for the Office of Risk Management are inadequate to evaluate the Administrative Program and the number of T.O. needed to administer that program properly. The LFO is not in disagreement that additional adjusters may be needed. However, performance measures are required to justify these positions and to determine the number. At the time of this writing, suitable information had not been provided. The LFO is of the belief that not only should this information be included in the Agency's quarterly performance report but it should also be used by the Agency for internal purposes.

The LFO is requesting that the JLCB direct the Office of Risk Management to work with Legislative Staffs and the Office of Planning and Budget to develop a more meaningful set of indicators that could be amended into the General Appropriations Bill. According to the Office of Planning and in our own experience there has been a lack of cooperation and therefore we feel a directive is necessary.

Without adequate performance information it is unclear how the legislature can determine the appropriate T.O. for the Administration Program in the up-coming appropriations process.

Ancillary Appropriations**Group Benefits****SCH. # 21-800**
Analyst: Brian Crow**Issue:** Failure to pay claims in a timely manner**Indicator:** Average turnaround time for health claim payments

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL	ANNUAL	
	YEAR	TARGET		/EST	PRIOR YR	
Q1	26.01	20.31	22.07	8.7%	CURRENT YR TGT	20.31
Q2	27.9	20.31	19.6	(3.5%)	PERF STANDARD	20.31
Q3					YTD ACTUAL	19.6
Q4						

Indicator: Amount of health and accident claims payments (in millions)

QUARTERLY	PRIOR	CURRENT	ACTUAL	ACTUAL	ANNUAL	
	YEAR	TARGET		/EST	PRIOR YR	
Q1	70.1	90.9	83.8	(7.8%)	CURRENT YR TGT	357.5
Q2	135.7	180.8	185.8	2.8%	PERF STANDARD	301.8
Q3					YTD ACTUAL	185.8
Q4						

Analysis of Indicators:

The objective of this indicator for State Employees Group Benefits Program (SEGBP) is to pay health claims within an average of 20.31 days. For the first quarter of FY 01, SEGBP exceeded the turnaround target of 20.31 days by 1.76 days (8.7%). The delay is attributed to the implementation of a new imaging system (\$1.6 million) in July 2000. The installation of the system and training of 40 employees required 11 months. For the second quarter, SEGBP has shown improvement in processing claims as the actual time is less than the target of 20.31 days by .71 day (3.5%).

SEGBP also failed to pay claims in a timely manner in the first quarter of FY 01. The target was to pay \$90.9 million in claims as compared to actual payments of \$83.8 million (7.8%). The inability to make payments was attributed to cash flow problems in the first quarter of FY 01.

For the second quarter, SEGBP paid out \$185.8 million as compared to the target of \$180.8 million (2.8%). The agency was able to exceed the target for payments due to additional

revenues from: 1) a 12.5% premium increase, effective July 1, 2000; and 2) a loan of \$35 million from the State Treasury.

SEGBP does NOT expect to meet the targets for the payment of claims in the third and fourth quarters. The average time for payment of claims is expected to exceed 30 days for the remainder of FY 01 due to insufficient revenue--the plan projects a \$45.2 million loss by 6/30/01.

Budget Impact:

STATE EMPLOYEES GROUP BENEFITS PROGRAM						
SCHEDULE OF REVENUE AND EXPENSES INCLUDING CASH CARRY FORWARD						
Cash Carry Forward	\$5,648,049	\$21,926,821	\$15,640,028	\$2,423,489	0	
	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02	
Rate Increase	0.9%	4.3% Actives- 2.9% Retirees	10.0%	12.5%	12.5%	
REVENUE:	\$454,811,159	\$477,562,240	\$541,493,709	\$612,144,044	\$697,465,858	
EXPENSES:						
PAID CLAIMS						
HEALTH	\$234,252,134	\$262,020,621	\$336,358,310	\$357,492,901	\$385,500,000	
DRUGS	\$40,250,557	\$52,700,838	\$101,086,949	\$120,892,051	\$129,400,000	
MH/SA	\$5,721,224	\$5,435,408	\$6,331,648	\$7,217,313	\$6,500,000	
MEDICAL CLAIMS	\$280,223,915	\$320,156,867	\$443,776,907	\$485,602,265	\$521,400,000	
HMO PAYMENTS	\$118,278,997	\$131,010,998	\$89,979,979	\$116,857,183	\$122,300,000	
LIFE PAYMENTS	\$22,544,008	\$25,835,827	\$26,008,063	\$27,136,127	\$25,285,152	
ADMINISTRATIVE EXPENSE	\$18,965,605	\$20,691,937	\$24,298,622	\$27,790,752	\$30,500,000	
TOTAL EXPENSE	\$440,012,525	\$497,695,629	\$584,063,571	\$657,386,327	\$699,485,152	
PROFIT/LOSS	\$14,798,634	(\$20,133,389)	(\$42,569,862)	(\$45,242,283)	(\$2,019,294)	
FUND DEFICIT	(\$30,303,610)	(\$50,436,999)	(\$93,006,861)	(\$138,249,144)	(\$140,268,438)	

The deficit problem for SEGBP started in FY 98 (see Schedule of Revenue and Expenses) when the board failed to recommend an adequate premium increase for the year. Instead of increasing premiums enough to reduce or eliminate the fund deficit (approximately 6.5%), the board opted for a .9% increase, which allowed the deficit to increase by approximately \$20 million (from \$30.3 million to \$50.4 million). Again in FY 99, the board failed to increase premiums enough to cover the cost of medical inflation and pharmaceuticals--4.3% for active employees and 2.9% for retirees. This action (or lack thereof) increased the deficit by an additional \$43 million (from \$50.4 million to \$93 million). Finally, the board decided to acknowledge the fact that there was a major financing problem. Unfortunately the 10% increase in FY 00 was too little, too late. The 15% to 35% increases in Medicaid pharmacy programs across the country were also hitting all other third party payors (including SEGBP) the same way--skyrocketing increases and uncontrollable costs. Premium increases of 12.5% for FY 01 and 02 still do not get the program out of the red, but will begin to address the funding issue. However, the end result of a 35% increase in premiums over the three year period, according to insurance experts, will (or has) put the program in a "death spiral" by forcing younger, healthier state workers to seek cheaper coverage in the open market. This leaves SEGBP with an older group of members (including retirees) that utilize medical services to an extent that expenditures for claims exceed revenues from premiums.

LFO Comment:

The failure to pay claims within the specified time (20.31 days) is only a part of the fiscal problems in SEGBP. Like most employer sponsored health care plans, the State Employees Group Benefits Program (SEGBP) is experiencing double-digit cost increases on an annual basis. Currently, actuaries have projected that SEGBP will require approximately \$100 million in additional funding to maintain current benefit levels through FY 02. Of the \$100 million amount, approximately \$60 million is attributable to inflationary trends (particularly pharmacy costs) and the remainder is the result of the inadequacy of past rate increases to meet obligations.

In response to the \$100 million projected cost increases, the SEGBP Board of Trustees voted in January 2001 to adopt rules for benefit modifications as follows: 1) PPO and EPO-increase emergency room deductible from \$100 to \$150; 2) PPO and EPO-impose a 12 month pre-existing condition limitation; 3) PPO-increase annual deductible from \$300 to \$500; 4) PPO-increase stop loss threshold from \$500 to \$1,000; 5) PPO and EPO-change prescription drug co-payment to 50% of all payments up to a maximum of \$50 per prescription; and 6) PPO and EPO-exclusion of payments for Glucometers. The total savings projected as a result of these proposed benefit modifications is approximately \$43.5 million. Should the proposed rule changes be rejected by the legislature, the state and/or all participating members will be required to pick up the \$43.5 million cost.

Additional revenues of \$57 million to adequately fund SEGBP will be produced by a rate increase of 12.5% in FY 02. The Executive Budget for FY 02 does provide for the rate increase with the state paying 100% (state agencies will have to find the money in their budget--school boards probably will include it in the MFP).

Both of the above revenue generating measures are a “must” for SEGBP to continue operating in subsequent fiscal years. However, the \$100 million “fix” only solves funding issues for FY 02. The actuary for SEGBP projects annual premium increases in the range of 10% to 12% for FY 03, 04 and 05. SEGBP projects the program will need a billion dollars in total revenue to cover claims payments for services rendered.

All that said, and assuming it gets done, SEGBP still does NOT address the total funding problem for the program. By 6/30/01, SEGBP estimates that the accrued unfunded liability will be approximately \$140 million. Of the \$140 million, \$93 million has accumulated in the last 2 fiscal years.

In an attempt to deal with the rapidly increasing deficit, the Board of Trustees proposed several modifications in the benefit package as follows:

1. June 28, 2000, the board voted to remove the single co-payment for a 90 day supply of maintenance drugs effective July 7, 2000 (projected savings of \$12.5 million for a full year).
2. July 26, 2000, the board voted to delay the effective date of the change to October 1, 2000.
3. August 30, 2000, the board voted to delay the effective date of change to January 1, 2001, and to allow plan members to purchase a 90 day supply by mail order or at retail pharmacies that accept mail order reimbursement. The board also voted to increase the health claims deductible for active employees in the PPO from \$300 to \$500 (projected savings \$6.5 million/year). The board voted to institute a \$150 deductible on pharmaceuticals in addition to existing co-payments (projected savings of \$16.3 million/year) and to increase the emergency room deductible from \$100 to \$150 (projected savings of \$424,000/per year).
4. September 28, 2000, the board voted to allow contracted HMOs to implement a \$150 deductible on pharmaceuticals effective January 1, 2001.
5. December 19, 2000, the proposed changes were presented to the Joint Legislative Committee on the Budget (JCLB) and, after much discussion, were rejected.

The total savings of all of the measures would have been \$12.8 million, thus reducing the current year projected loss from \$45.2 million to \$32.4 million. Still not a big dent in the large fiscal problem in the program--do the math--\$100 million for FY 02 and \$140 from past years is \$240 million!

What is the solution? To date a partial fix has been proposed, \$43.5 from benefit modifications and \$57 million from premium increases. Nothing has been proposed to eliminate the \$140 million unfunded liability.

The Governor appointed a task force in December 2000, headed by the Deputy Commissioner of Administration, to explore options for a sound resolution to the funding

problems in SEGBP. Preliminary discussions suggest that the final report of the task force will call for modifications to the current program that may provide a short term fix pending a long term correction. Others predict that the final report will recommend a complete overhaul or privatizing the program. The report is due sometime this month.